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SUBJECT: Ambassador's Meeting with DPM Sener on Economic Reform and Investment Climate Issues

**1.** (SBU) Summary: In his farewell call on Deputy Prime Minister Sener on July 10, the Ambassador encouraged the GOT to stick with the economic reform program, emphasizing anti-corruption and other measures which would help boost foreign direct investment. The Ambassador also highlighted the negative effect of the ongoing Motorola dispute on investor sentiment toward Turkey. Sener reaffirmed Turkey's commitment to the reform program and to efforts to improve the investment environment. End summary.

Economic overview

**12.** (SBU) DPM Sener acknowledged some negative economic developments, including a recent increase in interest rates. The strength of the lira has not thus far negatively impacted foreign trade, but a continued strong lira could prompt concern in the markets if it causes the current account deficit to increase.

**13.** (SBU) Sener reaffirmed Turkey's commitment to the IMF program, while admitting to problems and delays in implementation. He continued that the delay in the fifth review was a mistake, partially attributable to parliament's internal regulations, which delayed consideration of some draft legislation.

Investment Climate

**14.** (SBU) The Ambassador mentioned that Motorola officials were in Ankara to meet GOT officials on their pending receivables from Telsim, owned by the Uzan family. He emphasized that a positive resolution of this case would improve investor sentiment toward Turkey and reinforce the GOT's commitment to the rule of law. Sener responded the Uzans have been in conflict not only with other companies, but also with Turkish state.

**15.** (SBU) The Ambassador urged Sener to undertake anti-corruption activities and other measures to enhance the investment environment for domestic and foreign companies alike. He pointed out that Turkey is attracting as little as 10 percent of its foreign direct investment potential, despite an educated and hard-working labor force.

**16.** (SBU) Sener responded that combating corruption was important to gaining the trust of the citizenry, which would in turn help efforts to improve tax compliance. He also said that the GOT Coordination Board to Improve the Investment Climate Environment, headed by State Minister Babacan, was working to cut bureaucratic hurdles for the private sector and to provide a secure legal environment and economic stability.

Pearson